



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-26762

**PEDIATRIX MEDICAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Florida**  
(State or other jurisdiction of incorporation  
or organization)

**65-0271219**  
(I.R.S. Employer Identification No.)

**1301 Concord Terrace**  
**Sunrise, Florida 33323**  
(Address of principal executive offices)  
(Zip Code)

**(954) 384-0175**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name, former address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Shares of Common Stock outstanding as of November 3, 2003: 23,520,130

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

**PEDIATRIX MEDICAL GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	September 30, 2003	December 31, 2002
(in thousands)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,410	\$ 73,195
Accounts receivable, net	89,869	75,356
Prepaid expenses	2,199	6,083
Deferred income taxes	15,024	5,515
Other assets	1,236	1,206
Total current assets	118,738	161,355
Property and equipment, net	26,823	16,820
Goodwill	516,144	463,032
Other assets, net	16,570	7,472
Total assets	\$ 678,275	\$648,679
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit	\$ 14,500	\$ —
Accounts payable and accrued expenses	96,976	76,400
Current portion of long-term debt and capital lease obligations	595	504
Income taxes payable	6,052	4,896
Total current liabilities	118,123	81,800
Long-term debt and capital lease obligations	2,042	1,985
Deferred income taxes	16,482	13,290
Deferred compensation	5,118	3,606
Total liabilities	141,765	100,681
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; par value \$.01 per share; 1,000 shares authorized; none issued	—	—
Common stock; par value \$.01 per share; 50,000 shares authorized; 28,067 and 27,005 shares issued, respectively	281	270
Additional paid-in capital	420,467	392,321
Treasury stock, at cost, 4,665 shares and 1,692 shares, respectively	(150,000)	(49,998)
Retained earnings	265,762	205,405
Total shareholders' equity	536,510	547,998
Total liabilities and shareholders' equity	\$ 678,275	\$648,679

The accompanying notes are an integral part of these condensed consolidated financial statements.

## PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands, except for per share data)			
Net patient service revenue	\$145,514	\$122,502	\$405,415	\$346,008
Operating expenses:				
Practice salaries and benefits	80,196	68,232	230,460	195,950
Practice supplies and other operating expenses	4,778	3,997	13,561	11,440
General and administrative expenses	19,843	17,483	57,150	52,796
Depreciation and amortization	2,495	1,520	6,048	4,447
Total operating expenses	107,312	91,232	307,219	264,633
Income from operations	38,202	31,270	98,196	81,375
Investment income	76	221	296	595
Interest expense	(417)	(288)	(1,142)	(857)
Income before income taxes	37,861	31,203	97,350	81,113
Income tax provision	14,388	11,857	36,993	31,324
Net income	\$ 23,473	\$ 19,346	\$ 60,357	\$ 49,789
Per share data:				
Net income per common and common equivalent share:				
Basic	\$ 1.01	\$ .75	\$ 2.54	\$ 1.93
Diluted	\$ .97	\$ .73	\$ 2.46	\$ 1.86
Weighted average shares used in computing net income per common and common equivalent share:				
Basic	23,290	25,677	23,788	25,760
Diluted	24,196	26,363	24,521	26,794

The accompanying notes are an integral part of these condensed consolidated financial statements.

## PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
	2003	2002
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 60,357	\$ 49,789
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	6,048	4,447
Deferred income taxes	(6,317)	5,157
Changes in assets and liabilities:		
Accounts receivable	(13,024)	(11,793)
Prepaid expenses and other assets	4,177	718
Other assets	(495)	1,335
Accounts payable and accrued expenses	20,167	6,830
Income taxes	8,888	10,725
Net cash provided from operating activities	<u>79,801</u>	<u>67,208</u>
Cash flows from investing activities:		
Acquisition payments, net of cash acquired	(63,309)	(25,809)
Purchase of property and equipment	(13,743)	(5,187)
Net cash used in investing activities	<u>(77,052)</u>	<u>(30,996)</u>
Cash flows from financing activities:		
Borrowings on line of credit, net	14,500	—
Payments on long-term debt and capital lease obligations	(459)	(599)
Proceeds from issuance of common stock	20,427	28,223
Purchase of treasury stock	(100,002)	(49,998)
Net cash used in financing activities	<u>(65,534)</u>	<u>(22,374)</u>
Net (decrease) increase in cash and cash equivalents	(62,785)	13,838
Cash and cash equivalents at beginning of period	73,195	27,557
Cash and cash equivalents at end of period	<u>\$ 10,410</u>	<u>\$ 41,395</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

## PEDIATRIX MEDICAL GROUP, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003  
(Unaudited)**1. Basis of Presentation:**

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. and the notes thereto presented in this Quarterly Report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission applicable to interim financial statements, and do not include all disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods. The financial statements include all the accounts of Pediatrix Medical Group, Inc., and its subsidiaries combined with the accounts of the professional associations, corporations and partnerships (the "PA Contractors") with which Pediatrix Medical Group, Inc. or one of its subsidiaries currently has specific management arrangements. The terms "Pediatrix" and the "Company" refer collectively to Pediatrix Medical Group, Inc., its subsidiaries and the PA Contractors.

The consolidated results of operations for the interim periods presented in this Quarterly Report are not necessarily indicative of the results to be experienced for the entire fiscal year. The accompanying unaudited condensed consolidated financial statements and the notes thereto should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission.

**2. Summary of Significant Accounting Policies:****Stock Options**

The Company accounts for stock-based compensation to employees using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense for stock options issued to employees is reflected in the condensed consolidated statements of income because the market value of the Company's stock on the day options are granted equals the exercise price specified in the options.

If compensation expense had been determined based on the fair value accounting provisions of Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," the Company's net income and net income per share would have been reduced to the pro forma amounts below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands, except per share data)			
Net income, as reported	\$23,473	\$19,346	\$60,357	\$49,789
Deduct: Total stock-based employee compensation expense determined under fair value accounting rules, net of related tax effect	(3,361)	(3,191)	(8,039)	(6,062)
Pro forma net income	\$20,112	\$16,155	\$52,318	\$43,727
Net income per share:				
As reported:				
Basic	\$ 1.01	\$ .75	\$ 2.54	\$ 1.93
Diluted	\$ .97	\$ .73	\$ 2.46	\$ 1.86
Pro forma:				
Basic	\$ .83	\$ .61	\$ 2.16	\$ 1.63
Diluted	\$ .80	\$ .60	\$ 2.14	\$ 1.60



**PEDIATRIX MEDICAL GROUP, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**(Unaudited)**

**2. Summary of Significant Accounting Policies, Continued:**

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted in the three months ended September 30, 2003 and 2002: dividend yield of 0% for all years and expected volatility of 62% and 60%, respectively. A 3.4% risk-free interest rate assumption is used for options with expected lives of five years (officers and physicians of the Company) granted in the three months ended September 30, 2002. No options with expected lives of five years were granted in the three months ended September 30, 2003. Risk-free interest rates of 1.9% and 2.4% were used for options with expected lives of three years (all other employees of the Company) granted in the three months ended September 30, 2003 and 2002, respectively. Weighted average assumptions used for options granted in the nine months ended September 30, 2003 and 2002 are: dividend yield of 0% for all years; expected volatility of 62% and 60%, respectively, and risk-free interest rates of 2.9% and 3.6%, respectively, for options with expected lives of five years (officers and physicians of the Company) and 2.1% and 3.7%, respectively, for options with expected lives of three years (all other employees of the Company).

**Accounting Pronouncements**

In November 2002, FASB Interpretation No. 45 (“FIN 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34,” was issued. This statement elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for interim and annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company’s financial position or results of operations for the three and nine months ended September 30, 2003.

In January 2003, FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51,” was issued. FIN 46 addresses consolidation by business enterprises of variable interest entities. The provisions of FIN 46 apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. On October 9, 2003, FASB Staff Position No. 46-6 was issued which deferred the effective date of the provisions of FIN 46 for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003 until the end of the first interim or annual period ending after December 15, 2003. The Company has a lease arrangement with an entity that may be considered a variable interest entity under FIN 46. The Company is currently evaluating whether this or any other entity will be subject to consolidation under the provisions of FIN 46.

**3. Business Acquisitions:**

The Company completed the acquisition of an independent laboratory specializing in newborn metabolic screening and five physician group practices during the nine months ended September 30, 2003. Total consideration for the acquisitions, net of cash acquired, was approximately \$63.0 million in cash. In connection with the acquisitions, the Company recorded goodwill of approximately \$53.1 million, other assets of approximately \$10.8 million and liabilities of approximately \$927,000. The results of operations of the acquired practices have been included in the Company’s consolidated financial statements from the respective dates of acquisition.

**PEDIATRIX MEDICAL GROUP, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**(Unaudited)**

**3. Business Acquisitions, Continued:**

The following unaudited pro forma information combines the consolidated results of operations of the Company and the Company's 2002 and 2003 acquisitions, as if the transactions had occurred on January 1, 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(in thousands, except for per share data)		(in thousands, except for per share data)	
Net patient service revenue	\$146,223	\$128,164	\$414,810	\$366,399
Net income	23,493	19,882	61,350	51,380
Net income per share:				
Basic	1.01	0.77	2.58	1.99
Diluted	0.97	0.75	2.50	1.92

**4. Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consist of the following:

	September 30, 2003	December 31, 2002
	(in thousands)	
Accounts payable	\$11,230	\$10,131
Accrued salaries and bonuses	40,888	35,377
Accrued payroll taxes and benefits	12,564	10,364
Accrued professional liability coverage	20,653	14,607
Other accrued expenses	11,641	5,921
	<u>\$96,976</u>	<u>\$76,400</u>

**5. Line of Credit:**

The Company currently has a line of credit in the amount of \$100 million (the "Line of Credit") which bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75% at the Company's option. The Line of Credit is collateralized by substantially all of the Company's assets. The Company is subject to certain financial covenants and restrictions specified in its Line of Credit, including covenants that require the Company to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At September 30, 2003, to its knowledge, the Company was in compliance with such financial covenants and restrictions. The outstanding balance under the Line of Credit at September 30, 2003 was \$14.5 million. We had no balance outstanding under our Line of Credit at December 31, 2002. The Line of Credit matures on August 14, 2004, and accordingly, has been classified as a current liability. The Company is currently evaluating a proposal from one of its lenders with respect to a new revolving credit facility. However, there can be no assurance that we will be able to obtain a new credit facility in the amount and on terms substantially similar to the Line of Credit.

**PEDIATRIX MEDICAL GROUP, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

(Unaudited)

**6. Shareholder's Equity:**

The Company's changes in shareholders' equity for the nine months ended September 30, 2003 are as follows (in thousands):

	Common Stock		Additional Paid in Capital	Treasury Stock	Retained Earnings	Total Shareholders' Equity
	Number of Shares	Amount				
Balance at December 31, 2002	27,005	\$270	\$392,321	\$ (49,998)	\$205,405	\$ 547,998
Net income	—	—	—	—	60,357	60,357
Common stock issued under employee stock option and stock purchase plans	1,062	11	20,416	—	—	20,427
Treasury stock	—	—	—	(100,002)	—	(100,002)
Tax benefit related to employee stock options and stock purchase plans	—	—	7,730	—	—	7,730
Balance at September 30, 2003	28,067	\$281	\$420,467	\$(150,000)	\$265,762	\$ 536,510

**7. Net Income Per Share:**

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the applicable period. Diluted net income per share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the applicable period. Potential common shares consist of the dilutive effect of convertible notes calculated using the if-converted method and outstanding options calculated using the treasury stock method. The calculation of diluted net income per share excludes the after-tax impact of interest expense related to convertible subordinated notes.

The calculation of basic and diluted net income per share for the three and nine months ended September 30, 2003 and 2002 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
(in thousands, except for per share data)				
<b>Basic:</b>				
Net income applicable to common stock	\$23,473	\$19,346	\$60,357	\$49,789
Weighted average number of common shares outstanding	23,290	25,677	23,788	25,760
Basic net income per share	\$ 1.01	\$ .75	\$ 2.54	\$ 1.93
<b>Diluted:</b>				
Net income	\$23,473	\$19,346	\$60,357	\$49,789
Interest expense on convertible subordinated debt, net of tax	7	7	20	23
Net income applicable to common stock	\$23,480	\$19,353	\$60,377	\$49,812
Weighted average number of common shares outstanding	23,290	25,677	23,788	25,760
Weighted average number of dilutive common stock equivalents	876	655	703	1,002
Dilutive effect of convertible subordinated debt	30	31	30	32
Weighted average number of common and common equivalent shares outstanding	24,196	26,363	24,521	26,794
Diluted net income per share	\$ .97	\$ .73	\$ 2.46	\$ 1.86



**PEDIATRIX MEDICAL GROUP, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**(Unaudited)**

**8. Common Stock Repurchase Program:**

Since July 2002, the Company bought approximately 4.7 millions shares of its common stock at a cost of approximately \$150 million under repurchase programs approved by its Board of Directors. During 2002, the Company completed its first repurchase program buying approximately 1.7 million shares of its common stock at a cost of approximately \$50 million. During 2003, the Company completed two additional \$50 million repurchase programs buying approximately 3.0 million shares of its common stock at a cost of approximately \$100 million. All repurchases were made in the open market, subject to market conditions and trading restrictions.

**9. Contingencies:**

On October 30, 2003, the Company announced that five purported federal securities law class action cases commenced in June and July 2003 against the Company, two of the Company's principal officers and the Company's Chairman of the Board in the United States District Court for the Southern District of Florida, were voluntarily dismissed without prejudice.

On June 6, 2002, the Company received a written request from the Federal Trade Commission ("FTC") to submit information on a voluntary basis in connection with an investigation of issues of competition related to the 2001 acquisition of Magella Healthcare Corporation and its business practices generally. On February 5, 2003, the Company received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested and the Company has produced documents and information relating to the acquisition and the Company's business practices in certain markets. The investigation is active and ongoing. The Company has continued to cooperate fully with the FTC by providing additional information and testimony on issues related to the investigation. At this time, the Company is unable to predict the outcome of this investigation and whether it will have a material adverse effect on the Company's business, financial condition, results of operations or the trading price of the Company's shares.

In April 1999, the Company received requests from federal investigators for information related to its billing practices for services reimbursed by the TRICARE program for military dependents. In June 2003, the Company was advised by a U.S. Attorney's Office that it is conducting a similar civil investigation with respect to the Company's Medicaid billing practices nationwide. These investigations are now being coordinated together and are active and ongoing. The Company is cooperating fully with federal investigators and state Medicaid representatives in these matters. The Company believes that additional audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of its business. The Company cannot predict whether any such pending or future audits, inquiries or investigations will have a material adverse effect on the Company's business, financial condition, results of operations or the trading price of the Company's shares.

During the ordinary course of its business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice. Although these actions and proceedings are generally expected to be covered by insurance, there can be no assurance that the Company's medical malpractice insurance coverage will be adequate to cover liabilities arising out of medical malpractice claims if the outcomes of such claims are unfavorable to the Company. The Company believes, based upon its review of these pending matters, that the expected resolutions of such legal actions and proceedings will not have a material adverse effect on its business, financial condition, results of operations or the trading price of the Company's shares.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion highlights the principal factors affecting our financial condition and results of operations, as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements as of September 30, 2003, and for the three and nine months ended September 30, 2003 and 2002, and the notes thereto, presented in this Quarterly Report, and Management's Discussion and Analysis of Financial Condition and Results of Operations (including the discussion of our critical accounting policies) and our consolidated financial statements and the notes thereto contained in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. The consolidated results of operations for the interim periods reported are not necessarily indicative of the results to be experienced for the entire fiscal year. As used herein, "us", "we" and "our" refer to Pediatrix Medical Group, Inc. and its subsidiaries and the professional associations, corporations and partnerships (the "PA Contractors") with which Pediatrix Medical Group, Inc. or one of its subsidiaries has specific management arrangements.

The matters discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical facts are forward-looking and are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. See "Caution Concerning Forward-Looking Statements" below.

During the nine months ended September 30, 2003, we completed the acquisition of a metabolic screening laboratory and five physician practice groups. Our results of operations for the three and nine month periods ended September 30, 2003 and 2002 include the results of operations for the metabolic screening laboratory and the physician practice groups from the respective dates of acquisition, and therefore are not comparable and are not indicative of the results which would have occurred had the acquisitions been completed at the beginning of the periods presented.

### Results of Operations

#### *Three Months Ended September 30, 2003 as Compared to Three Months Ended September 30, 2002*

Our net patient service revenue increased \$23.0 million, or 18.8%, to \$145.5 million for the three months ended September 30, 2003, as compared to \$122.5 million for the same period in 2002. Of this \$23.0 million increase, \$7.9 million, or 34.3%, was primarily attributable to revenue generated from physician practice groups and a metabolic screening laboratory which were acquired in 2003. Same unit patient service revenue increased \$15.1 million, or 12.5%, for the three months ended September 30, 2003. The increase in same unit net patient service revenue was primarily the result of: (i) increased reimbursement for our services due to the changes in billing codes introduced by the American Medical Association in early 2003; (ii) an increase in neonatal intensive care patient days of 3.6%; (iii) modest price increases implemented on January 1, 2003; (iv) increased revenue from volume growth in perinatal services and other services including hearing screens and newborn nursery services provided at existing practices; and (v) improved managed care contracting. Same units are those units at which we provided services for the entire current period and the entire comparable prior period.

Practice salaries and benefits increased \$12.0 million, or 17.5%, to \$80.2 million for the three months ended September 30, 2003, as compared to \$68.2 million for the same period in 2002. The increase was attributable to: (i) an increase in incentive compensation as a result of same unit growth and operational improvements at the physician practice level; (ii) costs associated with new physicians and other staff to support acquisition-related growth and volume growth at existing units; and (iii) an increase in professional liability and group health insurance costs.

Practice supplies and other operating expenses increased \$781,000, or 19.5%, to \$4.8 million for the three months ended September 30, 2003, as compared to \$4.0 million for the same period in 2002. The increase was primarily attributable to supply and other operating costs related to our recent acquisition of a metabolic screening laboratory.

General and administrative expenses include all salaries, benefits, supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices, including billing and collection functions. General and administrative expenses increased \$2.3 million, or 13.5%, to \$19.8 million for the three months ended September 30, 2003, as compared to \$17.5 million for the same period in 2002. This \$2.3 million increase was attributable to: (i) salaries and benefits as a result of the continued growth of the Company; (ii) increased legal costs primarily related to the ongoing investigation by the Federal Trade Commission (see Note 9 of Notes to Condensed Consolidated Financial Statements); and (iii) increased group health and other insurance costs.

Depreciation and amortization expense increased by \$975,000, or 64.1%, to \$2.5 million for the three months ended September 30, 2003, as compared to \$1.5 million for the same period in 2002. This \$975,000 increase is attributable to: (i) amortization of identifiable intangible assets related to our acquisitions, and (ii) the

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purchase of computer hardware and software, furniture, equipment and improvements at our corporate headquarters and regional offices.

Income from operations increased \$6.9 million, or 22.2%, to \$38.2 million for the three months ended September 30, 2003, as compared to \$31.3 million for the same period in 2002. Our operating margin increased 0.8 percentage points to 26.3% for the three months ended September 30, 2003, as compared to 25.5% for the same period in 2002. The increase in operating margin is primarily attributable to a reduction in general and administrative expenses as a percent of revenue.

We recorded net interest expense (investment income less interest expense) of \$341,000 for the three months ended September 30, 2003, as compared to net interest expense of \$67,000 for the same period in 2002. The increase in net interest expense is primarily due to the use of cash on hand and borrowings under our line of credit to fund acquisitions and repurchase shares of our common stock.

Our effective income tax rate was 38.0% for the three months ended September 30, 2003 and 2002.

Net income increased to \$23.5 million for the three months ended September 30, 2003, as compared to \$19.3 million for the same period in 2002.

Diluted net income per common and common equivalent share was \$0.97 on weighted average shares of 24.2 million for the three months ended September 30, 2003, as compared to \$0.73 on weighted average shares of 26.4 million for the same period in 2002. The net decrease in weighted average shares outstanding was due to the weighted average impact of approximately 4.7 million shares purchased under our repurchase program, offset in part by an increase in outstanding shares due to stock option exercises and shares issued under our employee stock purchase plans.

### ***Nine Months Ended September 30, 2003 as Compared to Nine Months Ended September 30, 2002***

Our net patient service revenue increased \$59.4 million, or 17.2%, to \$405.4 million for the nine months ended September 30, 2003, as compared to \$346.0 million for the same period in 2002. Of this \$59.4 million increase, \$18.2 million, or 30.6%, was primarily attributable to revenue generated from physician practice groups and a metabolic screening laboratory which were acquired in 2003. Same unit patient service revenue increased \$41.2 million, or 12.3%, for the nine months ended September 30, 2003. The increase in same unit net patient service revenue was primarily the result of: (i) increased reimbursement for our services due to the changes in billing codes introduced by the American Medical Association in early 2003; (ii) an increase in neonatal intensive care patient days of 5.2%; (iii) modest price increases implemented on January 1, 2003, (iv) increased revenue from volume growth in perinatal services and other services including hearing screens and newborn nursery services provided at existing practices; and (v) improved managed care contracting. Same units are those units at which we provided services for the entire current period and the entire comparable prior period.

Practice salaries and benefits increased \$34.5 million, or 17.6%, to \$230.5 million for the nine months ended September 30, 2003, as compared to \$196.0 million for the same period in 2002. The increase was attributable to: (i) costs associated with new physicians and other staff to support acquisition-related growth and volume growth at existing units; (ii) an increase in incentive compensation as a result of same unit growth and operational improvements at the physician practice level; and (iii) an increase in professional liability and group health insurance costs.

Practice supplies and other operating expenses increased \$2.2 million, or 18.5%, to \$13.6 million for the nine months ended September 30, 2003, as compared to \$11.4 million for the same period in 2002. The increase was attributable to supply and other operating costs related to new units at which we provide services as a result of acquisitions and our recent acquisition of a metabolic screening laboratory.

General and administrative expenses include all salaries, benefits, supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices, including billing and collection functions. General and administrative expenses increased \$4.4 million, or 8.2%, to \$57.2 million for the nine months ended September 30, 2003, as compared to \$52.8 million for the same period in 2002. This \$4.4 million increase was primarily due to salaries and benefits as a result of the continued growth of the Company and increased group health and other insurance costs. General and administrative expenses for the nine months ended September 30, 2002 include settlement costs of \$1.3 million related to a Colorado Medicaid investigation.

Depreciation and amortization expense increased by \$1.6 million, or 36.0%, to \$6.0 million for the nine months ended September 30, 2003, as compared to \$4.4 million for the same period in 2002. This \$1.6 million increase is attributable to: (i) amortization of identifiable intangible assets related to our acquisitions, and (ii) the purchase of computer hardware and software, furniture, equipment and improvements at our corporate headquarters and regional offices.

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Income from operations increased \$16.8 million, or 20.7%, to \$98.2 million for the nine months ended September 30, 2003, as compared with \$81.4 million for the same period in 2002. Our operating margin increased 0.7 percentage points to 24.2% for the nine months ended September 30, 2003, as compared to 23.5% for the same period in 2002. The increase in operating margin is directly attributable to a reduction in general and administrative expenses as a percent of revenue.

We recorded net interest expense (investment income less interest expense) of \$846,000 for the nine months ended September 30, 2003, as compared with net interest expense of \$262,000 for the same period in 2002. The increase in net interest expense is primarily due to the use of cash on hand and borrowings under our line of credit to fund acquisitions and repurchase shares of our common stock.

Our effective income tax rates were 38.0% and 38.6% for the nine months ended September 30, 2003 and 2002, respectively.

Net income increased to \$60.4 million for the nine months ended September 30, 2003, as compared to \$49.8 million for the same period in 2002.

Diluted net income per common and common equivalent share was \$2.46 on weighted average shares of 24.5 million for the nine months ended September 30, 2003, as compared to \$1.86 on weighted average shares of 26.8 million for the same period in 2002. The net decrease in weighted average shares outstanding was due to the weighted average impact of approximately 4.7 million shares purchased under our repurchase program, offset in part by an increase in outstanding shares due to stock option exercises and shares issued under our employee stock purchase plans.

### **Liquidity and Capital Resources**

As of September 30, 2003, we had approximately \$10.4 million of cash and cash equivalents on hand as compared to \$73.2 million at December 31, 2002. For the nine months ended September 30, 2003, the Company generated cash flow from operations of \$79.8 million. Additionally, we had working capital (current assets less current liabilities) of approximately \$615,000 at September 30, 2003, a decrease of \$78.9 million from working capital of \$79.6 million at December 31, 2002. The decrease in working capital is primarily due to the use of cash on hand and our line of credit to repurchase shares of our common stock (as more fully discussed below) and fund the acquisition of physician group practices and a metabolic screening laboratory.

Since July 2002, we bought approximately 4.7 million shares of our common stock at a cost of approximately \$150 million under repurchase programs approved by our Board of Directors. During 2002, we completed our first repurchase program buying approximately 1.7 million shares of our common stock at a cost of approximately \$50 million. During 2003, we completed two additional \$50 million repurchase programs buying approximately 3.0 million shares of our common stock at a cost of approximately \$100 million. All repurchases were made in the open market, subject to market conditions and trading restrictions.

The Company currently has a revolving line of credit in the amount of \$100 million that matures August 14, 2004 (the "Line of Credit"). At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all of our assets. We are subject to certain financial covenants and restrictions specified in our Line of Credit, including covenants that require us to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At September 30, 2003, to our knowledge, we were in compliance with such financial covenants and restrictions. The outstanding balance under our Line of Credit at September 30, 2003 was \$14.5 million. As of November 3, 2003, we had no balance outstanding under our Line of Credit. We also had no balance outstanding under our Line of Credit at December 31, 2002.

We are currently evaluating a proposal from one of our lenders with respect to a new revolving credit facility. However, there can be no assurance that we will be able to obtain a new credit facility in the amount and on terms substantially similar to the Line of Credit.

In September 2003, we purchased our corporate office building for approximately \$10.1 million in cash pursuant to a lease purchase option. The building was previously leased under an operating lease agreement with a LIBOR-based variable interest rate. Our other capital expenditures have typically been for computer hardware and software, furniture, equipment and improvements at our corporate headquarters and regional offices. During the nine months ended September 30, 2003, capital expenditures amounted to approximately \$13.7 million.

We anticipate that funds generated from operations, together with cash on hand, and funds available under our Line of Credit, will be sufficient to meet our working capital requirements, finance our required capital expenditures and meet our contractual obligations for at least the next 12 months.



### **Caution Concerning Forward-Looking Statements**

Certain information included or incorporated by reference in this Quarterly Report may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements. Such statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions. These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Quarterly Report are made as of the date hereof. We disclaim any duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements.

Some of the factors that may cause actual results, developments and business decisions to differ materially from those projected or anticipated by such forward-looking statements, as more fully discussed under the section entitled “Risk Factors” in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, include pending and future investigations by federal and state government authorities of our billing or other practices (including the previously disclosed investigations regarding our Medicaid billing practices nationwide and an investigation by the Federal Trade Commission); unfavorable regulatory or other changes or conditions in geographic areas where our operations are concentrated; determinations that we failed to comply with applicable health care laws and regulations; limitations, reductions or retroactive adjustments to reimbursement amounts or rates by government-sponsored health care programs; audits by third party payors with respect to our billings for services; failure of physicians affiliated with us to appropriately record and document the services that they provide; our failure to find suitable acquisition candidates or successfully integrate any future or recent acquisitions; our failure to successfully implement our strategy of diversifying our operations; impairment of long-lived assets, such as goodwill; federal and state health care reform, including changes in the interpretation of government-sponsored health care programs; our failure to successfully recruit additional and retain existing qualified physicians; pending and future malpractice and other lawsuits (including the previously disclosed shareholder class action lawsuits); our failure to manage growth effectively and to maintain effective and efficient information systems; our failure to collect reimbursements from third party payors in a timely manner; cancellation or non-renewal of our arrangements with hospitals, or renewal of such arrangements on less favorable terms; loss of our affiliated physicians’ privileges or ability to provide services in hospitals, or hospitals entering into arrangements with physicians not affiliated with us; and increased competition in the health care industry.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

Our Line of Credit and an aircraft operating lease agreement are subject to market risk and interest rate changes. The total amount available under our Line of Credit is \$100 million. At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The lease bears interest at a LIBOR-based variable rate. The outstanding principal balance on the Line of Credit was \$14.5 million at September 30, 2003. The outstanding balance related to the aircraft operating lease totaled approximately \$5.7 million at September 30, 2003. Considering the total outstanding balances under these instruments at September 30, 2003 of approximately \$20.2 million, a 1% change in interest rates would result in an impact to pre-tax earnings of approximately \$202,000 per year.

### **Item 4. Disclosure Controls and Procedures.**

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of September 30, 2003. There have been no changes in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings.

On October 30, 2003, we announced that five purported federal securities law class action cases commenced in June and July 2003 against us, two of our principal officers and the Chairman of the Board in the United States District Court for the Southern District of Florida, were voluntarily dismissed without prejudice.

On June 6, 2002, we received a written request from the Federal Trade Commission (“FTC”) to submit information on a voluntary basis in connection with an investigation of issues of competition related to the 2001 acquisition of Magella Healthcare Corporation and our business practices generally. On February 5, 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested and we have produced documents and information relating to the acquisition and our business practices in certain markets. The investigation is active and ongoing. We have continued to cooperate fully with the FTC by providing additional information and testimony on issues related to the investigation. At this time, we are unable to predict the outcome of this investigation and whether it will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

In April 1999, we received requests from federal investigators for information related to our billing practices for services reimbursed by the TRICARE program for military dependents. In June 2003, we were advised by a U.S. Attorney’s Office that it is conducting a similar civil investigation with respect to our Medicaid billing practices nationwide. These investigations are now being coordinated together and are active and ongoing. We are cooperating fully with federal investigators and state Medicaid representatives in these matters. We believe that additional audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of our business. We cannot predict whether any such pending or future audits, inquiries or investigations will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

During the ordinary course of our business, we have become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice. Although these actions and proceedings are generally expected to be covered by insurance, there can be no assurance that our medical malpractice insurance coverage will be adequate to cover liabilities arising out of medical malpractice claims if the outcomes of such claims are unfavorable to us. We believe, based upon our review of these pending matters, that the expected resolutions of such legal actions and proceedings will not have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

**PEDIATRIX MEDICAL GROUP, INC.**  
**PART II — OTHER INFORMATION — (Continued)**

**Item 6. Exhibits and Reports on Form 8-K.**

**(a) Exhibits**

See Exhibit Index.

**(b) Reports on Form 8-K**

Form 8-K, filed July 22, 2003 and dated June 24, 2003, reporting Item 5 (Other Events) related to a U.S. Attorney's Office civil investigation of the Company's Medicaid billing practices nationwide and the Company's intent to vigorously defend shareholder lawsuits.

Form 8-K, filed and dated August 6, 2003, reporting Item 7 (Financial Statements, Pro Forma Financial Information and Exhibits) and Item 9 (Regulation FD Disclosure of Results of Operations and Financial Condition) related to a press release reporting results of operations for the fiscal quarter ended June 30, 2003.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PEDIATRIX MEDICAL GROUP, INC**

Date: November 5, 2003

By: /s/ Roger J. Medel, M.D.

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Roger J. Medel, M.D., President and Chief  
Executive Officer (principal executive officer)

Date: November 5, 2003

By: /s/ Karl B. Wagner

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Karl B. Wagner, Chief Financial Officer (principal  
financial officer)

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Articles of Incorporation of Pediatrix Medical Group, Inc., (incorporated by reference to Exhibit 3.1 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).
3.2	Amendment and Restated Bylaws of Pediatrix Medical Group, Inc., (incorporated by reference to Exhibit 3.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2000).
3.3	Articles of Designation of Series A Junior Participating Preferred Stock of Pediatrix Medical Group, Inc. (incorporated by reference to Exhibit 3.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
4.1	Rights Agreement, dated as of March 31, 1999, between Pediatrix Medical Group, Inc., and BankBoston, N.A., as rights agent including the form of Articles of Designations of Series A Junior Participating Preferred Stock and the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
10.1+	Amendment No. 6 to Amended and Restated Credit Agreement, dated as of September 23, 2003, among Pediatrix Medical Group, Inc., certain professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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+ Filed herewith.

**PEDIATRIX MEDICAL GROUP**

**AMENDED AND RESTATED CREDIT AGREEMENT**

Originally Dated as of June 27, 1996  
As Amended and Restated as of November 1, 2000  
As Amended and Restated as of August 14, 2001

Amendment No. 6

Dated as of September 23, 2003

FLEET NATIONAL BANK, AGENT AND LENDER  
U.S. BANK NATIONAL ASSOCIATION, SYNDICATION AGENT AND LENDER  
HSBC BANK USA, DOCUMENTATION AGENT AND LENDER

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AMENDMENT NO. 6

TO AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of September 23, 2003

This agreement, dated as of September 23, 2003 (this "Amendment"), is among Pediatrix Medical Group, Inc., a Florida corporation, the Material Related Entities of Pediatrix Medical Group, Inc. from time to time party hereto, and the Lenders from time to time party hereto, including Fleet National Bank, both in its capacity as a Lender and in its capacity as an Agent, U.S. Bank National Association, formerly known as Firststar Bank N.A., both in its capacity as a Lender and in its capacity as Syndication Agent, and HSBC Bank USA, both in its capacity as a Lender and in its capacity as Documentation Agent. The parties hereto agree as follows:

1. Credit Agreement; Definitions. This Amendment amends the Credit Agreement originally dated as of June 27, 1996, as amended and restated as of November 1, 2000 and as further amended and restated as of August 14, 2001 among the parties hereto (as in effect prior to giving effect to this Amendment, the "Credit Agreement"). Terms used in this Amendment but not defined herein are used as defined in the Credit Agreement.

2. Amendment of Credit Agreement. Effective upon the date hereof, the Credit Agreement is amended as follows:

2.1. Amendment of Section 6.11. Section 6.11 of the Credit Agreement is amended to read in its entirety as follows:

"6.11 Capital Expenditures. The Borrowers will not make aggregate Capital Expenditures exceeding \$10,000,000 in any fiscal year, except that in fiscal year 2003, the Borrowers may make aggregate Capital Expenditures of \$10,000,000 plus up to \$11,000,000 for the purchase of the property at 1301 Concord Terrace in Sunrise, Florida that serves as the Borrowers' corporate headquarters."

3. Representation and Warranty. In order to induce the Agent and the Lenders to enter into this Amendment, each of the Obligors jointly and severally represents and warrants that, after giving effect to this Amendment, no Default exists.

4. Payment of Agent's Legal Expenses. Upon or prior to the effectiveness of this Amendment, each of the Borrowers jointly and severally agrees to pay the reasonable legal fees and expenses of the Agent with respect to this Amendment and the transactions contemplated hereby.

5. Miscellaneous. The Credit Agreement as amended by this Amendment (the "Amended Credit Agreement") and all of the Credit Documents are each confirmed as being in full force and effect. This Amendment, the Amended Credit Agreement and the other Credit Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current

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understandings and agreements, whether written or oral. Each of this Amendment and the Amended Credit Agreement is a Credit Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns, including as such successors and assigns all holders of any Credit Obligation. This Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of The Commonwealth of Massachusetts.

*[The remainder of this page intentionally left blank.]*



IN WITNESS WHEREOF, each of the undersigned has duly executed this Amendment (or caused this Amendment to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first written above.

PEDIATRIX MEDICAL GROUP, INC. (Florida)

By: /s/ Karl B. Wagner

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Karl B. Wagner, Chief Financial Officer

FOOTHILL MEDICAL GROUP, INC.  
MAGELLA MEDICAL ASSOCIATES MIDWEST, P.C.  
MAGELLA MEDICAL GROUP, INC. (d/b/a MAGELLA  
MEDICAL GROUP, A MEDICAL CORPORATION)  
MAGELLA NEVADA, LLC  
MICHAEL POKROY, M.D. PROF. CORP. d/b/a OBSTETRIX  
MEDICAL GROUP OF NEVADA, LTD.  
NEONATAL AND PEDIATRIC INTENSIVE CARE  
MEDICAL GROUP, INC.  
OBSTETRIX MEDICAL GROUP OF CALIFORNIA, A  
PROFESSIONAL CORPORATION  
OBSTETRIX MEDICAL GROUP OF COLORADO, P.C.  
OBSTETRIX MEDICAL GROUP OF KANSAS AND  
MISSOURI, P.A.  
PEDIATRIX MEDICAL GROUP OF ARKANSAS, P.A.  
PEDIATRIX MEDICAL GROUP OF CALIFORNIA, A  
PROFESSIONAL CORPORATION  
PEDIATRIX MEDICAL GROUP OF COLORADO, P.C.  
PEDIATRIX MEDICAL GROUP OF ILLINOIS, P.C.  
PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.  
PEDIATRIX MEDICAL GROUP OF KENTUCKY, PSC  
PEDIATRIX MEDICAL GROUP OF MICHIGAN, P.C.  
PEDIATRIX MEDICAL GROUP OF MISSOURI, P.C.  
PEDIATRIX MEDICAL GROUP OF NORTH CAROLINA, P.C.  
PEDIATRIX MEDICAL GROUP OF OHIO CORP.  
PEDIATRIX MEDICAL GROUP OF OKLAHOMA, P.C.  
PEDIATRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.  
PEDIATRIX MEDICAL GROUP OF PUERTO RICO, P.S.C.  
PEDIATRIX MEDICAL GROUP NEONATOLOGY AND  
PEDIATRIC INTENSIVE CARE SPECIALISTS  
OF NEW YORK, P.C.  
PEDIATRIX MEDICAL GROUP

By: /s/ Karl B. Wagner

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Karl B. Wagner, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, S.P.  
PERINATAL PEDIATRICS, P.A.  
POKROY MEDICAL GROUP OF NEVADA, LTD.  
d/b/a PEDIATRIX MEDICAL GROUP OF NEVADA

By: /s/ Karl B. Wagner

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Karl B. Wagner, Attorney-in-Fact

ALASKA NEONATOLOGY ASSOCIATES, INC.  
ASSOCIATES IN NEONATOLOGY, INC.  
AUGUSTA NEONATOLOGY ASSOCIATES, P.C.  
BNA ACQUISITION COMPANY, INC.  
CENTRAL OKLAHOMA NEONATOLOGY  
ASSOCIATES, INC.  
CNA ACQUISITION CORP.  
DES MOINES PERINATAL CENTER, INC.  
FLORIDA REGIONAL NEONATAL ASSOCIATES, P.A.  
FORT WORTH NEONATAL ASSOCIATES BILLING, INC.  
GNPA ACQUISITION COMPANY, INC.  
KNA, INC.  
MAGELLA HEALTHCARE CORPORATION  
MAGELLA HEALTHCARE GROUP, L.P.  
MAGELLA MEDICAL ASSOCIATES BILLING, INC.  
MAGELLA MEDICAL ASSOCIATES OF GEORGIA, P.C.  
MAGELLA TEXAS, LLC  
MERCY NEONATOLOGY, INC.  
MNPC ACQUISITION COMPANY, INC.  
MOUNTAIN STATES NEONATOLOGY, INC.  
NACF ACQUISITION COMPANY, INC.  
NEONATAL SPECIALISTS, LTD.  
NEONATOLOGY ASSOCIATES BILLING, INC.  
NEONATOLOGY-CARDIOLOGY ASSOCIATES, P.A.  
NSPA ACQUISITION COMPANY, INC.  
OBSTETRIX MEDICAL GROUP OF ARIZONA, P.C.  
OBSTETRIX MEDICAL GROUP OF DELAWARE, INC.  
OBSTETRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.  
OBSTETRIX MEDICAL GROUP OF PHOENIX, P.C.  
OBSTETRIX MEDICAL GROUP OF TEXAS BILLING, INC.  
OBSTETRIX MEDICAL GROUP OF  
WASHINGTON, INC., P.S.

By: /s/ Karl B. Wagner

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Karl B. Wagner, Treasurer

OBSTETRIX MEDICAL GROUP, INC.  
OZARK NEONATAL ASSOCIATES, INC.  
PALM BEACH NEO ACQUISITIONS, INC.  
PASCV ACQUISITION COMPANY, INC.  
PEDIATRIX MEDICAL GROUP OF DELAWARE, INC.  
PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.  
PEDIATRIX MEDICAL GROUP OF GEORGIA, P.C.  
PEDIATRIX MEDICAL GROUP OF INDIANA, P.C.  
PEDIATRIX MEDICAL GROUP OF NEW MEXICO, P.C.  
PEDIATRIX MEDICAL GROUP OF SOUTH CAROLINA, P.A.  
PEDIATRIX MEDICAL GROUP OF TENNESSEE, P.C.  
PEDIATRIX MEDICAL GROUP OF TEXAS BILLING, INC.  
PEDIATRIX MEDICAL GROUP OF WASHINGTON, INC., P.S.  
PEDIATRIX MEDICAL GROUP, INC. (Utah)  
PEDIATRIX MEDICAL GROUP, P.A.  
PEDIATRIX MEDICAL GROUP, P.C. (Virginia) PEDIATRIX MEDICAL  
GROUP, P.C. (West Virginia)  
PEDIATRIX OF MARYLAND, P.A.  
PEDIATRIX SCREENING, INC.  
PMG ACQUISITION CORP.  
PNA ACQUISITION CO., INC.  
RPNA ACQUISITION COMPANY, INC.  
SCPMC ACQUISITION CO.  
SNCA ACQUISITION COMPANY, INC.  
ST. JOSEPH NEONATOLOGY CONSULTANTS, INC.  
TEXAS MATERNAL FETAL MEDICINE BILLING, INC.

By: /s/ Karl B. Wagner

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Karl B. Wagner, Treasurer

PEDIATRIX FLORIDA, LLC  
PEDIATRIX MEDICAL GROUP (INTERNATIONAL), INC.  
PEDIATRIX MEDICAL MANAGEMENT, L.P.  
PEDIATRIX MEDICAL MANAGEMENT GROUP, INC.  
PEDIATRIX MEDICAL SERVICES, INC.  
PEDIATRIX TEXAS I, LLC  
PMGSC, P.A.

By: /s/ Karl B. Wagner

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Karl B. Wagner, Treasurer

FLEET NATIONAL BANK

By: /s/ Virginia C. Stolzenhaller, Managing Director

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Virginia C. Stolzenhaller, Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ S. Walker Choppin

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S. Walker Choppin, Senior Vice President

HSBC BANK USA

By: /s/ Gregory G. Roll

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Gregory G. Roll, First Vice President

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

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Wilfred V. Saint, Associate Director  
Banking Products Services, US

By: /s/ Jennifer L. Poccia

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Jennifer L. Poccia, Associate Director  
Banking Products Services, US

THE INTERNATIONAL BANK OF MIAMI, N.A.

By: /s/ Eduardo Hornero

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Eduardo Hornero, Vice President

By: /s/ Jorge Maklouf

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Jorge Maklouf, Senior Vice President



**CERTIFICATIONS**

I, Roger J. Medel, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2003

By: /s/ Roger J. Medel, M.D.

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Roger J. Medel, M.D.,  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATIONS**

I, Karl B. Wagner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2003

By: By: /s/ Karl B. Wagner

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Karl B. Wagner,  
Chief Financial Officer  
(principal financial officer)

**Certification Pursuant to 18 U.S.C Section 1350,  
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Pediatrix Medical Group, Inc. on Form 10-Q for the period ended September 30, 2003 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pediatrix Medical Group, Inc. A signed original of this written statement required by Section 906 has been provided to Pediatrix Medical Group, Inc. and will be retained by Pediatrix Medical Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

November 5, 2003

By: /s/ Roger J. Medel, M.D.

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Roger J. Medel, M.D.,  
President and Chief Executive Officer  
(principal executive officer)

By: /s/ Karl B. Wagner

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Karl B. Wagner,  
Chief Financial Officer  
(principal financial officer)